

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 14

ATTACHMENT(S): 4

ACTION: _____

DATE OF MEETING: Sep. 2, 1998

INFORMATION: X

PRESENTER(S): Mr. Mitchell

The following is a summary of the developments in the financial markets that have occurred between August 1, 1998 and August 20, 1998.

1. The yield on the 30 year U.S. Treasury bond has decreased from 5.71% to 5.55%.
2. The market level of the S&P 500 Index has decreased from 1,120 to 1,100.
3. The U.S. dollar has strengthened compared to the yen (144 to 146), pound sterling (163 to 162) and mark (178 to 179).
4. The Federal Reserve Board of Governors meeting was August 18. The level of short term interest rates remained unchanged at 5.50%.
5. The dollar/yen level reached an eight year low at 148 yen to the dollar. The last time the yen traded above 148 was August 17, 1990.
6. The four enhanced index managers (Barclays Global Investors, DSI International Management, Mellon Capital Management, and State Street Global Advisors) completed their investment management contracts. Funding began August 17th, each manager is expected to receive an initial allocation before September 15th.

NOTE: Attachment # 1 pages 1 and 2 are not available in electronic format at this time.

California State Teachers' Retirement System
Off Balance Sheet Transactions
For the period ended July 31, 1998

Attachment I
Page 3

<i>Currency Hedging - Market Value (amounts in millions)</i>						
Managers	Pacific Basin		European		Total	
Active International	\$1,149.58	17.6%	\$ 4,207.38	2.3%	\$5,356.96	5.6%
Passive International	\$3,347.86	11.7%	\$ 8,462.20	2.9%	\$11,810.06	5.4%
Global	\$ 137.16	10.8%	\$ 1,130.50	17.1%	\$1,267.65	16.4%
* Does not include emerging market securities, Canadian stocks, cash or accruals.						

<i>Currency Realized Gains/(Losses) (amounts in millions)</i>			
Managers	Currency Realized Gains/(Losses)		
	1 Month	1 Year	Since Inception
Active International	\$1.79	\$44.65	\$130.50
Passive International	\$17.95	\$136.33	\$479.45
Global	\$2.66	\$8.91	\$97.22

<i>Securities Lending Income</i>			
Asset	Current Fiscal Year		Prior Fiscal Year
	7/98	vs.	7/97
Domestic Equity	\$721,651		\$702,561
International Equity	\$2,623,989		\$1,730,909
US Treasury	\$1,123,592		\$1,662,544
Other Fixed Income Securities	\$117,137		\$187,429
Total Income	\$4,586,369		\$4,283,443

<i>Securities Lending (On-Loan/Collateral Summary)</i>			
Asset	Securities On-Loan	Collateral Valuation	Percent
Domestic Equity	\$3,163,622,269	\$3,289,080,972	104%
International Equity	\$3,281,240,764	\$3,448,153,186	105%
US Treasury	\$9,192,934,590	\$9,374,795,508	102%
Other Fixed Income Securities	\$704,391,309	\$719,861,401	102%
Total Value	\$16,342,188,932	\$16,831,891,067	103%

California State Teachers' Retirement System
Global Managers
As of July 31, 1998

Attachment 3

TC46 BARING INTERNATIONAL INVESTMENT LTD.					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$28,193,184	\$21,449,761	(\$32,722,547)	\$16,920,398	1.89%
Europe	\$259,309,776	\$159,974,283	(\$52,894,998)	\$366,389,061	40.82%
Canada	\$0	\$4,272,448	\$0	\$4,272,448	0.48%
Emerging Markets	\$55,394,738	\$0	(\$3,250,660)	\$52,144,078	5.81%
Total Non-Dollar	\$342,897,698	\$185,696,492	(\$88,868,205)	\$439,725,985	48.99%
United States	\$157,846,909	\$160,390,411	\$88,868,205	\$407,105,525	45.36%
Total Invested	\$500,744,607	\$346,086,903	\$0	\$846,831,510	94.35%
Cash/Receivable/Payable				\$50,758,462	5.65%
Total Assets				\$897,589,972	100.00%

TC47 BRINSON PARTNERS, INC..					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$44,773,100	\$17,091,489	\$64,415,382	\$126,279,971	16.06%
Europe	\$148,105,953	\$212,282,412	(\$99,013,139)	\$261,375,226	33.24%
Canada	\$5,569,445	\$23,409,180	(\$11,885,088)	\$17,093,537	2.17%
Emerging Markets	\$0	\$0	\$0	\$0	0.00%
Total Non-Dollar	\$198,448,498	\$252,783,081	(\$46,482,845)	\$404,748,734	51.48%
United States	\$94,069,610	\$211,273,633	\$46,482,845	\$351,826,088	44.75%
Total Invested	\$292,518,108	\$464,056,714	\$0	\$756,574,822	96.23%
Cash/Receivable/Payable				\$29,673,584	3.77%
Total Assets				\$786,248,406	100.00%

TC48 FIDUCIARY TRUST COMPANY INTERNATIONAL					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$20,909,449	\$4,741,123	(\$16,854,084)	\$8,796,488	0.95%
Europe	\$222,396,017	\$128,426,779	(\$41,048,467)	\$309,774,329	33.46%
Canada	\$5,017,188	\$0	\$22,541,978	\$27,559,166	2.98%
Emerging Markets	\$13,250,713	\$9,205,208	(\$6,802,538)	\$15,653,383	1.69%
Total Non-Dollar	\$261,573,367	\$142,373,110	(\$42,163,111)	\$361,783,366	39.08%
United States	\$273,222,026	\$191,282,701	\$42,163,111	\$506,667,838	54.73%
Total Invested	\$534,795,393	\$333,655,811	\$0	\$868,451,204	93.80%
Cash/Receivable/Payable				\$57,389,258	6.20%
Total Assets				\$925,840,462	100.00%

GLOBAL MANAGERS SUMMARY					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$93,875,733	\$43,282,373	\$14,838,751	\$151,996,857	5.82%

California State Teachers' Retirement System

Attachment 3

Global Managers

As of July 31, 1998

Europe	\$629,811,746	\$500,683,474	(\$192,956,604)	\$937,538,616	35.93%
Canada	\$10,586,633	\$27,681,628	\$10,656,890	\$48,925,151	1.87%
Emerging Markets	\$68,645,451	\$9,205,208	(\$10,053,198)	\$67,797,461	2.60%
Total Non-Dollar	\$802,919,563	\$580,852,683	(\$177,514,161)	\$1,206,258,085	46.22%
United States	\$525,138,545	\$562,946,745	\$177,514,161	\$1,265,599,451	48.50%
Total Invested	\$1,328,058,108	\$1,143,799,428	\$0	\$2,471,857,536	94.72%
Cash/Receivable/Payable				\$137,821,304	5.28%
Total Assets				\$2,609,678,840	100.00%

California State Teachers' Retirement System
Internal S&P 500 Portfolio

Over the past 4 months, the internal S&P 500 portfolio out-performed the S&P 500 Index by 0.01%. Table 1 summarizes the returns and characteristics of the S&P 500 for the month of July 1998.

Table 1: Summary of S&P 500

	Portfolio Return ¹	Index Return ²	Tracking Error
4/98 - 7/98	2.223%	2.213%	+0.010%
7/98	-1.071%	-1.063%	-0.008%
Portfolio Market Value	1,035 (\$ mil.)		
Index Market Value	8,913 (\$ bil.)		
P/E Ratio	28.34		
Dividend Yield	1.44		

¹ Portfolio return calculated by State Street Bank Analytics.

² The total return for the index was calculated by Wilshire Associates.